

**Iowa Department of Natural Resources
Environmental Protection Commission**

ITEM

9

DECISION

TOPIC

Air Quality - Title V Fee SFY 2008 Budget

The Commission is asked to approve the attached Title V Operating Permit budget establishing the annual Title V fee at \$35.20 per ton air pollution emitted from Title V Operating Permit subject sources. This \$2.45 per ton increase from the current fiscal year is to accommodate personnel and program increases.

A Title V operating permit is required for those facilities with potential emissions that exceed the major stationary source thresholds. A major stationary source is a facility that has the potential to emit 100 tons per year (tpy) or more of any air pollutant; or the potential to emit 10 tpy or more of any individual hazardous air pollutant; or the potential to emit 25 tpy or more of any combination of hazardous air pollutants. Currently Iowa has 276 major stationary sources, also referred to as Title V facilities. Examples of Title V facilities include electric utilities, grain processors, cement plants, and manufacturing operations.

The Title V fee is based on the first 4,000 tons of each regulated air pollutant emitted each year from each major stationary source in the state. Regulated pollutants include: particulate matter less than 10 micrometers in diameter (PM₁₀) and particulate matter less than 2.5 micrometers in diameter (PM_{2.5}), sulfur dioxide (SO₂), nitrogen oxides (NO_x), volatile organic compounds (VOC), lead (Pb), and 187 hazardous air pollutants (HAP). The fee is used to support the development and administration of activities associated with major sources subject to the Title V Operating Permit Program.

Annually on March 31, sources required to obtain Title V Operating Permits submit to the department annual emissions statements for the previous calendar year. The Department totals these emissions and provides that information to the Commission no later than the May meeting. The Commission will then be asked to set the fee based on the program budget.

Air Quality Funding Sources and Cost Centers - The Air Quality Bureau budget is divided into two primary areas: Air Quality Program and Air Title V Program. Expenditures are divided between multiple expenditure (cost center) accounts and a variety of funding sources as listed in Table 1. The attached spreadsheet consolidates the cost centers into the two primary areas to reflect the total program.

Clean Air Act (CAA) section 105 money is awarded to the department through a Performance Partnership Grant (PPG) with the EPA. The PPG is the financial component of the Performance Partnership Agreement (PPA). The department negotiates the PPG on an annual cycle while the

PPA is negotiated on a two-year cycle. The PPA contains the mutually agreed upon goals that the EPA and DNR will work together to achieve during the two year agreement period. For air quality, the tasks that must be accomplished to achieve the agreed upon goals are contained in the 105 work plan, which is an attachment to the PPA. No Title V money is included in the PPG.

Significant changes are anticipated in the ambient monitoring program for PM_{2.5}. A new federal ambient air quality standard has been promulgated. New equipment will be needed to meet the specifications of the new standard. EPA is likely to no longer fund portions of the laboratory analysis. In addition to the changes, EPA's funding is likely to be reduced. The CAA section 103 funds are anticipated to be converted to CAA section 105 funds during the state fiscal year. As indicated in the chart below, CAA section 105 funds require state matching dollars whereas CAA section 103 funds do not.

Table1. Summary of Cost Centers and Funding Sources

Program Area	Expenditures (Cost Center)	Funding Source*
Air Quality Program includes:		
Air Quality central office base program	7220	CAA 105 & GF
Air Quality field office base program	7419	CAA 105 & GF
IT Support	3510	CAA 105 & GF
PM 2.5 Monitoring network	7240	CAA 103
Air Title V includes:		
Legal Services	1430	TV Fees
Title V Information & Education	1556	TV Fees
Title V Operating Permit Program	7230	TV Fees
Title V Field Program	7421	TV Fees
IT Support	3520	TV Fees
* CAA 105 – Clean Air Act section 105 grant with a state match required		
CAA 103 – Clean Air Act section 103 grant with no state match required		
GF – Legislatively appropriated General Funds		
TV Fees – Title V fees		

Carryover Funds - The Bureau has been working each year since the program's inception to develop a budget that more accurately reflects the amount of funding required to implement the Title V program. The Air Quality Bureau budget is planned each year with a small margin of reserve. This is to offset factors such as higher than expected expenses, changes in the actual emissions reported, and reimbursement of fees to companies that may have over paid Title V fees in previous years.

Title V Budget Changes – The department met with a representative group of the core Title V fee payers on February 1, 2007, and has provided correspondence to the group since the meeting. The department proposed a \$34.00 fee based on an estimate of 236,000 tons. During the meeting, the fee payers reviewed the draft budget and supported the changes discussed at the meeting. Total Title V Fund expenditures are proposed to be increased from the current SFY

2007 budget levels by 8% or \$750,000 in the SFY 2008 budget. Emissions reports received to date indicate a drop in the tons estimate from 236,000 to 229,329. The fee is proposed to increase by 7.5%, from \$32.75 to \$35.20. Details on where changes to the budget are being proposed are listed in the attached spreadsheet in the "Notes" column.

1. Personnel and indirect costs: As the personnel costs have not been finalized, the department is using a five percent increase across the board for all FTE positions that are not capped. The indirect costs will increase from 12.29 percent to 13.38 percent in SFY 2008. The allocation of IT staff has been adjusted to reflect the needs of the Bureau.
2. Professional Services:
 - The department plans to contract with a computer consultant to continue working on SPARS maintenance issues.
 - The Linn and Polk County Local Air Quality Programs have increased personnel and benefits costs.
 - The UHL contract amount reflects an increase due to increased personnel costs. The contract also increase by \$222,000 to accommodate changes in the PM _{2.5} monitoring.
 - The UNI small business assistance agreement amount reflects a small increase to cover increases in personnel costs.
 - An expense for laboratory analysis related to PM _{2.5} has also been added. This expense was previously provided from EPA.

Governor Culver proposes to continue the Livestock Air Monitoring program. The Governor's Budget also includes a proposal to increase support to meet new federal match requirements.

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Environment Services Division

Memo date: April 9, 2007

Air Quality Bureau
SFY 2008 Budget for the May EPC Meeting

Cost Center & Expenditure Category	Activity	SFY 2006 Actual	SFY 2007 Budget	SFY 2007 Projected Expenditures	Estimated SFY 2008 Budget	Difference 08-07	Notes
Title V Cost Centers: 1430, 1556, 3520, 7230, 7421							
FTE		59.00	63.00	63.00	61.75		IT staff adjusted to reflect Bureau needs
Personnel	101	4,056,729	4,658,632	4,210,486	4,785,150	126,518	Estimated increase for personnel
Travel, vehicle operation & depreciation		92,410	108,900	87,238	108,400	-500	
Supplies		68,002	96,250	61,700	65,550	-30,700	Reflects current budget for software
Communications	401	68,207	70,000	71,500	72,000	2,000	
Rent and Monitoring Utilities		176,443	173,200	185,000	180,000	6,800	Increase in monitoring utility costs
Professional Services	405	2,625,426	2,579,000	2,595,894	3,086,000	507,000	
Computer Consultant Services		[117,562]	[50,000]	[50,000]	[100,000]	[50,000]	SPARS proposal
Linn County local program agreement		[594,975]	[521,847]	[521,847]	[548,863]	[27,016]	Estimated personnel increase
Polk County local program agreement		[499,426]	[512,949]	[512,949]	[515,913]	[2,964]	Estimated personnel increase
Environmental Liaison		[53,761]	[50,000]	[50,000]	[50,000]	[0]	
UNI Small Business Assistance agreement		[428,668]	[439,600]	[439,600]	[461,580]	[21,980]	Estimated personnel increase
UHL Agreement		[871,227]	[968,498]	[968,498]	[1,315,436]	[346,938]	Increase due to PM 2.5 monitoring and personnel costs
Attorney General's Office		[30,000]	[30,000]	[30,000]	[30,000]	[0]	
Lab Analysis		[0]	[0]	[0]	[58,000]	[58,000]	Lab analyses previously funded by EPA
Other		[29,807]	[6,106]	[23,000]	[6,208]	[102]	
Outside services	406	60,123	73,100	60,500	58,500	-14,600	Reflects current budget for image scanning of records
Advertisement, reimbursements		24,684	18,750	12,600	19,250	500	
Equipment	501	172,235	208,100	277,000	291,000	82,900	Additional equipment for the PM 2.5 monitoring
Equipment Noninv.	503	85,248	40,900	68,900	46,500	5,600	
Other expenses	602	11,222	11,200	11,850	12,200	1,000	
Indirect charges	999	451,905	557,579	502,502	623,144	65,565	Indirect rate increases from 12.29% to 13.38%
Total		7,892,634	8,595,611	8,145,170	9,347,694	752,083	
Title V							
Total Revenue		8,961,159	8,753,309	9,272,755	9,373,385	620,077	
Balance forward		[1,288,614]	[747,095]	[1,060,125]	[1,127,585]	[380,490]	
Title V fees		[7,419,078]	[7,860,000]	[7,935,167]	[8,060,800]	[200,800]	
Tonnage		234,781	240,000	242,295	229,000	-11,000	
Fee/ton		31.60	32.75	32.75	35.20	2.45	
Fund interest		[223,939]	[130,000]	[250,000]	[185,000]	55,000	
Under and Over Payments		[29,528]	[16,214]	[27,462]	[0]	-16,214	
Total Expenditures		7,901,034	8,595,611	8,145,169	9,347,694	685,354	
Legal Services (1430) Total		[113,402]	[121,781]	[121,781]	[127,870]	[6,089]	
Air Title V - I&E (1556) Total		[76,668]	[66,594]	[63,644]	[68,478]	[1,884]	
Air Title V - IT (3520)		[252,290]	[465,359]	[395,118]	[336,893]	-[128,465]	
Air Title V Program (7230) Total		[6,896,169]	[7,351,885]	[7,000,737]	[8,186,508]	[834,622]	
Air Title V Field Program (7421) Total		[554,103]	[589,992]	[563,889]	[627,945]	[37,953]	
Smoking Tailpipe (7260) Total		[8,400]	[0]	[0]	[0]	[0]	
Revenues - Expenditures		1,060,125	157,697	1,127,585	25,691	-65,277	

Air Quality Bureau
SFY 2008 Budget for the May EPC Meeting

Cost Center & Expenditure Category	Activity	SFY 2006 Actual	SFY 2007 Budget	SFY 2007 Budget (Revised Revenue)	Estimated SFY 2008 Budget	Difference 08-07 Revised Revenue	Notes
Grant/General Fund Cost Centers: 3510, 7220, 7240, 7419							
FTE		20.50	18.00	18.00	18.75		One Support FTE added in addition to IT reallocation (.25)
Personnel	101	1,375,979	1,326,961	1,432,250	1,434,571	2,321	Estimated increase for personnel
Travel, vehicle operation & depreciation		20,422	30,600	19,440	31,700	12,260	
Supplies		16,599	31,150	22,600	22,600	0	
Communications	401	13,258	22,000	14,500	22,000	7,500	
Rent and Monitoring Utilities		60,862	59,000	62,000	72,000	10,000	
Professional Services	405	1,330,701	1,207,000	1,269,254	1,295,000	25,746	
Linn County Local Program Agreement		[197,425]	[154,756]	[161,652]	[161,652]	[0]	
Polk County Local Program Agreement		[211,038]	[202,925]	[211,038]	[211,038]	[0]	
UHL Agreement		[922,238]	[845,739]	[895,739]	[878,904]	-[16,835]	Livestock monitoring is included in this contract
Lab Analysis		[0]	[0]	[0]	[40,000]	[40,000]	Lab analyses previously funded by EPA
Other		[0]	[3,579]	[825]	[3,406]	[2,581]	
Outside services	406	34,246	41,000	61,000	56,000	-5,000	
Advertisement, reimbursements		1,968	9,700	2,450	4,100	1,650	
Equipment	501	78,003	31,000	31,300	172,000	140,700	PM 2.5 monitoring equipment (85K), ongoing monitoring equipment (50K), and ongoing IT hardware needs (37K).
Equipment Noninv.	503	53,335	55,000	56,000	14,500	-41,500	
Indirect charges	999	157,687	163,083	176,024	191,946	15,922	Indirect rate increases from 12.29% to 13.38%
Total		3,143,059	2,976,494	3,146,818	3,316,417	169,599	
<u>PPG (Federal Grant & Match)</u>							
Total Revenue		3,290,639	3,073,637	3,146,818	3,332,620	185,802	
General Fund		[1,288,000]	[1,288,000]	[1,288,000]	[1,288,000]	[0]	
Additional State Support		[309,530]	[275,000]	[275,000]	[560,000]	[285,000]	235K for Livestock and 325K for PM 2.5 monitoring
Federal 105 air grant		[1,098,237]	[1,057,210]	[1,098,237]	[1,370,978]	[272,741]	Assumes full funding of federal grants
Federal 103 air grant		[515,260]	[453,427]	[473,754]	[113,642]	-[360,112]	Assumes a shift in PM 2.5 monitoring grant
Performance Partnership Grant (PPG)		[79,612]	[0]	[11,826]	[0]	-[11,826]	
Total Expenditures		3,143,059	2,976,494	3,146,818	3,316,417	169,599	
PPG - IT (3510)		[0]	[36,618]	[35,218]	[28,990]	-[6,228]	
Air Quality Program (7220) Total		[2,073,227]	[2,157,229]	[2,065,851]	[2,663,017]	[597,166]	
PM 2.5 Monitoring (7240) Total		[477,563]	[247,000]	[473,754]	[110,000]	-[363,754]	
Air Quality Field Program (7419) Total		[282,739]	[260,647]	[296,994]	[279,410]	-[17,585]	
Livestock Air Monitoring (31HA) Total		[309,530]	[275,000]	[275,000]	[235,000]	-[40,000]	
Revenues - Expenditures		147,580	97,143	0	16,203	16,203	
Total Bureau Budget		11,044,092	11,572,105	11,291,987	12,664,111	1,182,743	
Total Bureau FTE		79.50	81.00	81.00	80.50	-0.50	